

EX PARTE OR LATE FILED



Whitney Hatch  
Assistant Vice President  
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July 18, 1996

Mr. William F. Caton, Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W., Room 1222  
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D.C. 20554

**EX PARTE: Implementation of Local Competition**  
**CC Docket No. 96-98**

Dear Mr. Caton:

Today GTE delivered the attached letter outlining GTE's position on the Ohio Commission's approach to determining avoided cost to Chairman Hundt in response to a request he made of GTE last week. Copies were provided to those listed in the letter. Please incorporate this letter into the record of the above-captioned proceeding.

Please call me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to be "Whitney Hatch", written over a horizontal line.

Whitney Hatch

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Kent B. Foster  
President



GTE Corporation

One Stamford Forum  
Stamford, CT 06904  
203 965-2123

July 18, 1996

The Honorable Reed E. Hurd  
Chairman  
Federal Communications Commission  
1919 M Street, NW  
Washington, DC 20554

Dear Mr. Chairman:

I appreciated your willingness to meet with me last week to discuss your interconnection and unbundling proceeding. It obviously is a busy time for you and the Commission.

One issue you mentioned at length was the challenge of determining an appropriate guideline for avoided cost in establishing wholesale rates for resale services. In particular you asked whether the decision adopted by the Ohio Commission could be applicable nationwide. As you know this issue is being considered by numerous Commissions throughout the country. Recently we filed information with the California Commission on the same issue, and I am providing the full text of our comments to your Senior Advisor, John Nakahata. We also recently filed a Petition for Rehearing before the Ohio Commission and intend to address the same concerns we describe in our attached California filing.

Briefly, both Dr. Selwyn, on behalf of AT&T and MCI in California, and the Ohio Commission recommend determining avoided costs by excluding certain Part 32 accounts. Ohio permits carriers to demonstrate that portions of these accounts should not be excluded as avoided costs, but the burden of proof is on the carrier.

GTE has not recommended the Commission adopt specific national guidelines in this area and should rather leave such determinations to the states and the negotiation process. However, if the FCC decides to proceed with specific national guidelines, GTE recommends developing a list of relevant functions actually avoided, after "netting out" both costs recovered from Nonrecurring Charges associated with the underlying activity (i.e., costs not included in the recurring rates to be discounted) and expenses associated with providing service on a resale basis. If the Commission adopts such an approach it should determine, in advance, which costs within each Part 32 account are avoided when providing resale services and which are not.

For example: Accounts 6611 (Product Management) and 6623 (Customer Service), recommended by both Dr. Selwyn and Ohio for exclusion, include direct expenses associated with providing intermediary services to interexchange carriers. These are not

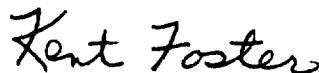
Honorable Reed E. Hundt  
July 18, 1996  
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retail functions. Product management expenses will not be avoided since a retail product must exist and be made available for resale. Further, while most sales expense will be avoided, some wholesale sales activity will be necessary. Thus, such expenses should be included in GTE's resale rates. Likewise, none of the costs recorded in Accounts 6621 (Call Completion Services) and 6622 (Number Services) can be avoided as these costs are associated with providing operator services, directory listings and directories. Whether GTE provides basic local service on a retail basis, or on a wholesale basis, the same costs are incurred in either scenario to provide operator and directory-related services to GTE local customers as well as the customers of local service resellers, as part of basic telephone service.

In summary, if the FCC decides to adopt national avoided cost guidelines, GTE recommends not adopting "whole cloth" the Ohio list of Part 32 Accounts without more specifically determining on a functional, and where appropriate subaccount, basis the actual functions and costs avoided in providing wholesale service.

I hope this is responsive to your request. Please let me know if you would be interested in additional details.

Sincerely,



Kent B. Foster  
President-GTE Corporation

KBF:cej

c: Commissioner Chong  
Commissioner Ness  
Commissioner Quello  
Regina Keeney  
FCC Secretary